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RUEKJCS/JOINT STAFF WASHDC
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C O N F I D E N T I A L SECTION 01 OF 02 ASHGABAT 001390

SIPDIS

STATE FOR SCA/CEN, EEB

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SUBJECT: TURKMENISTAN: CONOCOPHILLIPS SENSES ITS PROSPECTS
FOR BLOCK 21 ARE FADING

REF: ASHGABAT 1325

Classified By: Charge d'Affaires a.i. Sylvia Reed Curran for reasons 1.
4 (B) and (D).

11. (C) SUMMARY: Stonewalling by the State Agency for Management and Use of Hydrocarbon Resources, combined with reports of Turkmenistan government negotiations with BP, have made ConocoPhillips concerned that its prospects for Block 21 are slipping away. Moreover, despite repeated overtures by the company, it has not been able to engage with Turkmen officials about its offshore proposal for months. In the meantime, the company is moving ahead with the procedure necessary to open an office in Ashgabat, but is noncommittal about when it might be staffed. END SUMMARY.

CLOSER TO OPENING AN ASHGABAT OFFICE

12. (C) On October 21, ConocoPhillips External Affairs Director Raikhan Ismailova met with poloff to provide an update on the status of ConocoPhillips' activities in Turkmenistan. The Ministry of Economics and Development has given preliminary approval to ConocoPhillips' registration package that will allow the company to open an Ashgabat office. Ismailova was in town to pay a \$3,000 registration fee and visit potential office locations. She mentioned it will still be several months before all necessary documentation, for example a tax identification number and import/export licenses, can be obtained. The company will also have to hire a chief accountant locally, as required by law, before it can open the office. Ismailova declined to predict when an expat ConocoPhillips employee might take up residence in Ashgabat.

STATE AGENCY STILL STONEWALLING ON OFFSHORE BLOCKS

13. (C) Ismailova reported that she had met with her contact at the State Agency for Management and Use of Hydrocarbon Resources, an employee named Meylis, and that she proposed November 3 as the date for a meeting between ConocoPhillips officials and State Agency Chief Yagshygeldi Kakayev to discuss the company's offshore proposal. Meylis indicated that Kakayev was not ready to see company officials and conduct negotiations.

BP REPORTEDLY HAS INSIDE TRACK ON BLOCK 21

¶4. (C) According to Ismailova, the Turkmenistan government is currently negotiating with BP for rights to Block 21. She thinks a deal with BP will be announced during the November 20-21 Turkmenistan International Oil and Gas Exhibition. She referred to rumors that President Berdimuhamedov has already made the decision in BP's favor. Meylis had confirmed to Ismailova that there were active negotiations with BP. When Ismailova asked that ConocoPhillips be given the courtesy of a meeting to be informed about any decision on Block 21 prior to an announcement, Meylis said he couldn't comment, except to say that "deals are being done above (his) level."

¶5. (C) Ismailova suspects that Kakayev might be putting off a meeting with ConocoPhillips officials because he knows the president has already made the decision in favor of BP. She asserted that BP has had previous contact with President Berdimuhamedov, including a "verbal exchange for something significant." BP hosted a team of Turkmen oil and gas officials in London around the time of the April conference on Turkmenistan oil and gas, including a visit to offshore drilling rig operations.

CONOCOPHILLIPS' PLANS FOR TIOGE

¶6. (C) ConocoPhillips plans to send a 10-person delegation to TIOGE. However, if company officials are unable to meet with Kakayev before that event, Ismailova suggested the company might send a higher-level official in hopes that Kakayev

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would agree to a meeting. Ismailova added that the company still wants to arrange a meeting for CEO Jim Mulva with the president before the end of the year, which is when ConocoPhillips' MOU is due to expire.

¶7. (C) COMMENT: While access to the highest levels of the Turkmenistan government is crucial to ConocoPhillips' chances for success, such access remains elusive. At the same time, the Turkmen need foreign partners to develop the entirety of their resources, not just Block 21. As such, the Turkmen government would serve its own interests by remaining engaged with companies that could be useful partners down the road.

END COMMENT.

CURRAN